

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2007

Contents

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis (MD&A)	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-Wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14
Governmental Fund Financial Statements:	
Balance Sheet	C 15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 16
Statement of Revenues, Expenditures and Changes in Fund Balances	E 17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 18
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 19
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 20
Statement of Cash Flows	I 21
Notes to Financial Statements	22-30
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Funds and Proprietary Fund	31
Notes to Required Supplementary Information - Budgetary Reporting	32
Other Supplementary Information:	<u>Schedule</u>
Nonmajor Governmental Funds:	
Combining Balance Sheet	1 33
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2 34
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	3 35
Combining Statement of Net Assets - Other Enterprise Funds	4 36
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Other Enterprise Funds	5 37
Combining Statement of Cash Flows - Other Enterprise Funds	6 38
Schedule of Revenues by Source and Expenditures by Function - All Governmental Fund Types	7 39
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	40-41
Schedule of Findings	42-44

North Tama County Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2006 Election)		
John Hayek	President	2008
Dave Stuart	Vice President	2006
Richard Arp	Board Member	2008
Judy Robb	Board Member	2006
Gretchen Pargeon	Board Member	2006
Diane Panfil	Board Member	2007
Barb Kopriva	Board Member	2007

Board of Education
(After September 2006 Election)

Dave Stuart	President	2009
Gretchen Pargeon	Vice President	2009
Diane Panfil	Board Member	2007
Barb Kopriva	Board Member	2007
Richard Arp	Board Member	2008
John Hayek	Board Member	2008
Judy Robb	Board Member	2009

School Officials

Tom McDermott	Superintendent	2007
Nancy Gee	District Secretary/ Business Manager	2007
Roan, Powell & Reinders	Attorney	2007

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3040
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
North Tama County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District, Traer Iowa, as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District at June 30, 2007, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2008 on our consideration of North Tama County Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 31 through 32 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of

inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise North Tama County Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

January 31, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Tama County Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2007. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$4,148,690 in fiscal 2006 to \$4,534,065 in fiscal 2007, while General Fund expenditures also increased from \$4,240,989 in fiscal 2006 to \$4,469,241 in fiscal 2007. This resulted in an increase in the District's fund balance from \$372,210 in fiscal 2006 to \$437,034 in fiscal 2007, which was a 17.4% increase from the prior year.
- The largest factor in the increased revenue was the increase from state sources in fiscal 2007. The largest increases in expenditures were in regular instruction costs.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of North Tama County Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how the governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report North Tama County Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which North Tama County Community School District acts solely as an agent or custodian for the benefit of those outside of the School District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Special Revenue Funds.

Figure A-1
North Tama County Community School District Annual Financial Report

The diagram illustrates the structure of the North Tama County Community School District Annual Financial Report. It is organized into two main levels of detail, connected by a horizontal double-headed arrow at the bottom labeled "Summary" on the left and "Detail" on the right. The top level, representing the "Summary" level, consists of three boxes: "Management's Discussion and Analysis", "Basic Financial Statements", and "Required Supplementary Information". The bottom level, representing the "Detail" level, is enclosed in a large shaded rectangle and contains three boxes: "Government-wide Financial Statements", "Fund Financial Statements", and "Notes to the Financial Statements". Dotted lines connect the boxes between the two levels: a line from "Management's Discussion and Analysis" to "Government-wide Financial Statements"; a line from "Basic Financial Statements" to "Fund Financial Statements"; and a line from "Required Supplementary Information" to "Notes to the Financial Statements".

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of the management discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2			
Major Features of the Government-wide and Fund Financial Statements			
	Government-wide Statements	Fund Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses: food services and adult education
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of revenues, expenses and changes in net assets • Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two Government-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating, respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has two kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the Government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship or differences between the two statements.

The District's governmental funds include the General Fund; Capital Projects; Special Revenue Funds; and the Debt Service Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds*: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the Government-wide statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and other Enterprise Funds, which includes the Book Fair, Jet and NT & S funds.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2007 compared to June 30, 2006.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Current and other assets	\$ 2,978,994	2,554,264	\$ 39,599	28,074	\$ 3,018,593	2,582,338	16.89%
Capital assets	1,646,198	1,691,717	31,229	28,118	1,677,427	1,719,835	-2.47%
Total assets	4,625,192	4,245,981	70,828	56,192	4,696,020	4,302,173	9.15%
Long-term obligations	0	3,890	0	0	0	3,890	-100.00%
Other liabilities	1,831,796	1,769,289	464	554	1,832,260	1,769,843	3.53%
Total liabilities	1,831,796	1,773,179	464	554	1,832,260	1,773,733	3.30%
Net assets:							
Invested in capital assets	1,646,198	1,691,717	31,229	28,118	1,677,427	1,719,835	-2.47%
Restricted	636,557	369,694	0	0	636,557	369,694	72.18%
Unrestricted	510,641	411,391	39,135	27,520	549,776	438,911	25.26%
Total net assets	\$ 2,793,396	2,472,802	\$ 70,364	55,638	\$ 2,863,760	2,528,440	13.26%

The District's combined net assets increased by 13.26% or \$335,320 compared to the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately 72.18% or \$266,863 over the prior year. The main reason for the increase in restricted net assets was the increase in the fund balances of the Capital Projects and Special Revenue-Physical Plant and Equipment Levy.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased approximately 25.26% or \$110,865 from the prior year. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the changes in net assets at June 30, 2007 compared to June 30, 2006.

Figure A-4 Changes of Net Assets							
	Governmental Activities		Business-type Activities		Total School District		Total Change
	2007	2006	2007	2006	2007	2006	2006-07
Revenues:							
Program revenues:							
Charges for services	\$ 626,789	461,251	\$ 156,065	157,733	782,854	618,984	26.47%
Operating grants and contributions and restricted interest	563,674	482,292	81,313	74,265	644,987	556,557	15.89%
General revenues:							
Property tax	1,853,955	1,779,207	0	0	1,853,955	1,779,207	4.20%
Local option sales and service tax	320,922	257,669	0	0	320,922	257,669	24.55%
Unrestricted state grants	1,933,620	1,763,851	0	0	1,933,620	1,763,851	9.62%
Other revenue	31,659	48,181	204	180	31,863	48,361	-34.11%
Total revenues	<u>5,330,619</u>	<u>4,792,451</u>	<u>237,582</u>	<u>232,178</u>	<u>5,568,201</u>	<u>5,024,629</u>	<u>10.82%</u>
Program expenses:							
Governmental activities:							
Instructional	3,123,651	2,907,399	0	20,739	3,123,651	2,928,138	6.68%
Support services	1,496,336	1,483,546	0	0	1,496,336	1,483,546	0.86%
Non-instructional programs	0	0	222,856	206,275	222,856	206,275	8.04%
Other expenses	390,038	211,541	0	0	390,038	211,541	84.38%
Total expenses	<u>5,010,025</u>	<u>4,602,486</u>	<u>222,856</u>	<u>227,014</u>	<u>5,232,881</u>	<u>4,829,500</u>	<u>8.35%</u>
Change in net assets	320,594	189,965	14,726	5,164	335,320	195,129	71.85%
Net assets beginning of year	<u>2,472,802</u>	<u>2,282,837</u>	<u>55,638</u>	<u>50,474</u>	<u>2,528,440</u>	<u>2,333,311</u>	<u>8.36%</u>
Net assets end of year	<u>\$ 2,793,396</u>	<u>2,472,802</u>	<u>\$ 70,364</u>	<u>55,638</u>	<u>2,863,760</u>	<u>2,528,440</u>	<u>13.26%</u>

In fiscal 2007, property tax, local option sales and service tax and unrestricted state grants accounted for 77.1% of the revenue from governmental activities while charges for services and operating grants and contributions account for nearly 100% of the revenue from business type activities.

The District's total revenues were approximately \$5.57 million of which \$5.33 million was for governmental activities and \$.24 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced an increase of 10.82% in revenues and an 8.35% increase in expenses. The increase in expenses was related to the increase in construction costs during the year.

Governmental Activities

Revenues for governmental activities were \$5,330,619 and expenses were \$5,010,025.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, and other expenses. The net cost of services is the result after subtracting grants and charges for services that the District used to offset the program's total cost.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2007	2006	Change 2006-2007	2007	2006	Change 2006-2007
Instruction	\$ 3,123,651	2,907,399	6.92%	2,152,556	2,146,867	0.26%
Support services	1,496,336	1,483,546	0.85%	1,454,067	1,460,959	-0.47%
Other expenses	390,038	211,541	45.76%	212,939	51,117	75.99%
Totals	<u>\$ 5,010,025</u>	<u>4,602,486</u>	<u>8.13%</u>	<u>3,819,562</u>	<u>3,658,943</u>	<u>4.21%</u>

- A portion of the cost financed by users of the District's programs was \$626,789.
- The federal and state government subsidized certain programs with operating grants and contributions totaling \$563,674.
- The net cost portion of governmental activities was financed with \$2,174,877 in property tax and other taxes, \$1,933,620 in unrestricted state grants, and unrestricted investment earnings of \$8,963.

Business-Type Activities

The District's business-type activities are the School Nutrition Fund, and other Enterprise Funds. Revenues of the District's business-type activities totaled \$237,582 in 2007, which is an increase of 2.3% under the prior year. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income. Expenses decreased 1.8% to \$222,856 for business-type activities in 2007; this was due to decreased costs in the other enterprise funds.

INDIVIDUAL FUND ANALYSIS

As previously noted, the North Tama County Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

As the District completed the year, its governmental funds reported combined fund balances of \$984,312, an increase of \$320,044 above last years ending fund balances of \$664,268.

Governmental Fund Highlights

- The District's increase in the General Fund financial position is the result of many factors. The District increased its General Fund revenues compared to the prior year.
- The Capital Projects Fund balance increased from \$123,434 in fiscal 2006 to \$260,664 in fiscal 2007. This was primarily due to the total revenues exceeding total expenditures during the year.
- The Special Revenue-Physical Plant and Equipment Levy Fund balance increased \$141,503 during the 2006-07 fiscal year.

Proprietary Fund Highlights

- School Nutrition Fund ending cash balance decreased \$2,929 from previous year.
- The increase in the balance in the Nutrition Fund can be attributed to receiving \$78,336 in federal revenue as opposed to \$71,335 last fiscal year, a \$7,001 increase.

BUDGETARY HIGHLIGHTS

The District's receipts were \$26,532 more than budgeted receipts. The most significant variance resulted from the District receiving less in federal sources than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2007, the District had invested \$1,677,427, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See figure A-6) More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$157,313.

The original cost of the District's capital assets was \$4,451,658. Governmental funds account for \$4,375,590, with the remainder of \$76,068 accounted for in the Proprietary School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$230,459 at June 30, 2007, compared to \$307,835 reported at June 30, 2006.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental		Business-type		Total		Total
	Activities		Activities		School District		Change
	2007	2006	2007	2006	2007	2006	2006-07
Land	\$ 116,414	116,414	\$ 0	0	\$ 116,414	116,414	0.00%
Buildings	1,134,627	1,089,686	0	0	1,134,627	1,089,686	3.96%
Improvements other than buildings	195,927	205,900	0	0	195,927	205,900	-5.09%
Machinery and equipment	199,230	279,717	31,229	28,118	230,459	307,835	-33.57%
Total	<u>\$ 1,646,198</u>	<u>1,691,717</u>	<u>\$ 31,229</u>	<u>28,118</u>	<u>\$ 1,677,427</u>	<u>1,719,835</u>	<u>-2.53%</u>

Long-Term Debt

At year-end, the District had no long term debt outstanding. This represents a decrease of 100% from last year's balance of \$3,890. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 4 to the financial statements.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total
	2007	2006	Change
Early retirement	<u>\$ 0</u>	<u>3,890</u>	<u>-100.0%</u>

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- State budget cuts continue to be a concern for the District, shifting the majority of funding on property taxes.
- Maintaining enrollment will be extremely important for the District in their efforts to remain as a viable K-12 school district.
- Efforts to contain costs – especially in the area of health insurance – must be continued and expanded.
- The Physical Plant and Equipment Levy (PPEL) expired in 2005 and was replaced by the School Infrastructure Local Option (SILO) Sales tax which was approved in Tama County on February 24, 2004. The SILO Tax is projected to generate approximately \$200,000 per year for 10 years.
- The District also has an Instructional Support Levy of 10 percent to help purchase educational supplies and pay employee salaries and benefits. It is important that the District renews this Levy when it is up for renewal in 2007.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Terrill Karr, Board Secretary, North Tama County Community School District, 605 Walnut Street, Traer, Iowa, 50675.

BASIC FINANCIAL STATEMENTS

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2007

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 806,334	21,677	828,011
Receivables			
Property tax:			
Delinquent	25,374	0	25,374
Succeeding year	1,790,301	0	1,790,301
Income surtax	162,886	0	162,886
Accounts	12,597	8,143	20,740
Due from other governments	181,502	0	181,502
Inventories	0	9,779	9,779
Capital assets, net of accumulated depreciation (Note 3)	1,646,198	31,229	1,677,427
Total Assets	4,625,192	70,828	4,696,020
Liabilities			
Accounts payable	25,818	0	25,818
Deferred revenue:			
Succeeding year property tax	1,790,301	0	1,790,301
Other	15,677	0	15,677
Unearned revenue	0	464	464
Total Liabilities	1,831,796	464	1,832,260
Net Assets			
Invested in capital assets	1,646,198	31,229	1,677,427
Restricted for:			
Additional teacher contract day	6	0	6
Market factor	3,871	0	3,871
Talented and gifted	41,223	0	41,223
Early intervention	44,179	0	44,179
Physical plant and equipment levy	184,620	0	184,620
Capital projects	260,664	0	260,664
Management levy	42,661	0	42,661
Other special revenue purposes	59,333	0	59,333
Unrestricted	510,641	39,135	549,776
Total Net Assets	\$ 2,793,396	70,364	2,863,760

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Functions/Programs						
Governmental activities:						
Instruction:						
Regular instruction	\$ 2,284,195	128,142	359,936	(1,796,117)	0	(1,796,117)
Special instruction	543,279	49,856	26,639	(466,784)	0	(466,784)
Other instruction	296,177	406,522	0	110,345	0	110,345
	3,123,651	584,520	386,575	(2,152,556)	0	(2,152,556)
Support services:						
Student services	178,188	0	0	(178,188)	0	(178,188)
Instructional staff services	147,885	0	0	(147,885)	0	(147,885)
Administration services	544,814	0	0	(544,814)	0	(544,814)
Operation and maintenance of plant services	319,163	0	0	(319,163)	0	(319,163)
Transportation services	306,286	42,269	0	(264,017)	0	(264,017)
	1,496,336	42,269	0	(1,454,067)	0	(1,454,067)
Other expenditures:						
Facilities acquisitions	161,305	0	0	(161,305)	0	(161,305)
AEA flowthrough	177,099	0	177,099	0	0	0
Depreciation(unallocated)*	51,634	0	0	(51,634)	0	(51,634)
	390,038	0	177,099	(212,939)	0	(212,939)
Total governmental activities	5,010,025	626,789	563,674	(3,819,562)	0	(3,819,562)
Business-Type activities:						
Non-instructional programs:						
Nutrition services	209,023	138,198	81,313	0	10,488	10,488
Enterprise	13,833	17,867	0	0	4,034	4,034
Total business-type activities	222,856	156,065	81,313	0	14,522	14,522
Total	\$ 5,232,881	782,854	644,987	(3,819,562)	14,522	(3,805,040)
General Revenues:						
Property tax levied for:						
General purposes				\$ 1,803,875	0	1,803,875
Capital outlay				50,080	0	50,080
Local option sales and services tax				320,922	0	320,922
Unrestricted state grants				1,933,620	0	1,933,620
Unrestricted investment earnings				8,963	204	9,167
Donations				22,696	0	22,696
Total general revenues				4,140,156	204	4,140,360
Changes in net assets				320,594	14,726	335,320
Net assets beginning of year				2,472,802	55,638	2,528,440
Net assets end of year				\$ 2,793,396	70,364	2,863,760

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

	General	Capital Projects	Special Revenue - Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
Assets					
Cash and pooled investments	\$ 400,429	118,618	183,858	103,429	806,334
Receivables:					
Property tax:					
Delinquent	24,156	0	762	456	25,374
Succeeding year	1,699,333	0	50,968	40,000	1,790,301
Income surtax	162,886	0	0	0	162,886
Accounts	12,597	0	0	0	12,597
Due from other governments	35,069	146,433	0	0	181,502
Total Assets	\$ 2,334,470	265,051	235,588	143,885	2,978,994
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 19,540	4,387	0	1,891	25,818
Deferred revenue:					
Succeeding year property tax	1,699,333	0	50,968	40,000	1,790,301
Income surtax	162,886	0	0	0	162,886
Other	15,677	0	0	0	15,677
Total liabilities	1,897,436	4,387	50,968	41,891	1,994,682
Fund balances:					
Reserved for:					
Additional teacher contract day	6	0	0	0	6
Market factor	3,871	0	0	0	3,871
Talented and gifted	41,223	0	0	0	41,223
Early intervention	44,179	0	0	0	44,179
Unreserved	347,755	260,664	184,620	101,994	895,033
Total fund balances	437,034	260,664	184,620	101,994	984,312
Total Liabilities and Fund Balances	\$ 2,334,470	265,051	235,588	143,885	2,978,994

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

Total fund balances of governmental funds (page 15)	\$ 984,312
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	1,646,198
Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period.	<u>162,886</u>
Net assets of governmental activities (page 13)	<u><u>\$ 2,793,396</u></u>

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007

	General	Capital Projects	Special Revenue - Physical Plant and Equipment Levy	Other Nonmajor Governmental Funds	Total
REVENUES:					
Local sources:					
Local tax	\$ 1,731,721	320,922	50,080	29,975	2,132,698
Tuition	177,998	0	0	0	177,998
Other	127,122	736	154,858	197,734	480,450
Intermediate sources	29,821	0	0	0	29,821
State sources	2,319,947	0	44	26	2,320,017
Federal sources	147,456	0	0	0	147,456
Total revenues	4,534,065	321,658	204,982	227,735	5,288,440
EXPENDITURES:					
Current:					
Instruction:					
Regular instruction	2,260,126	0	0	3,005	2,263,131
Special instruction	542,850	0	0	0	542,850
Other instruction	97,411	0	0	195,231	292,642
	2,900,387	0	0	198,236	3,098,623
Support services:					
Student services	177,968	0	0	0	177,968
Instructional staff services	146,551	0	0	0	146,551
Administration services	541,638	0	0	4,317	545,955
Operation and maintenance of plant services	290,068	0	0	28,673	318,741
Transportation services	235,530	0	0	20,022	255,552
	1,391,755	0	0	53,012	1,444,767
Other expenditures:					
Facilities acquisitions	0	184,428	63,479	0	247,907
AEA flowthrough	177,099	0	0	0	177,099
	177,099	184,428	63,479	0	425,006
Total expenditures	4,469,241	184,428	63,479	251,248	4,968,396
Net change in fund balances	64,824	137,230	141,503	(23,513)	320,044
Fund balance beginning of year	372,210	123,434	43,117	125,507	664,268
Fund balance end of year	\$ 437,034	260,664	184,620	101,994	984,312

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 JUNE 30, 2007

Net change in fund balances - total governmental funds (page 17) \$ 320,044

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense during the year are as follows:

Capital outlays	\$ 57,125	
Depreciation expense	<u>(102,644)</u>	(45,519)

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. 42,179

Some expenses reported in the Statement of Activities do no require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

3,890

Changes in net assets of governmental activities (page 14) \$ 320,594

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
JUNE 30, 2007

	School Nutrition	Other Enterprise Funds	Total
Assets			
Cash and pooled investments	\$ 13,580	8,097	21,677
Accounts receivable	8,143	0	8,143
Inventories	9,779	0	9,779
Capital assets, net of accumulated depreciation (Note 3)	31,229	0	31,229
Total assets	62,731	8,097	70,828
Liabilities			
Unearned revenue	464	0	464
Total liabilities	464	0	464
Net assets			
Invested in capital assets	31,229	0	31,229
Unrestricted	31,038	8,097	39,135
Total net assets	\$ 62,267	8,097	70,364

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUND
 YEAR ENDED JUNE 30, 2007

	School Nutrition	Other Enterprise Funds	Total
OPERATING REVENUE:			
Local sources:			
Charges for services	\$ 138,198	17,867	156,065
TOTAL OPERATING REVENUES	138,198	17,867	156,065
OPERATING EXPENSES:			
Non-instructional programs:			
Salaries	71,206	1,500	72,706
Benefits	21,585	201	21,786
Services	4,548	2,619	7,167
Supplies	107,031	9,513	116,544
Depreciation	4,653	0	4,653
Total non-instructional	209,023	13,833	222,856
TOTAL OPERATING EXPENSES	209,023	13,833	222,856
OPERATING INCOME (LOSS)	(70,825)	4,034	(66,791)
NON-OPERATING REVENUES:			
State sources	2,947	0	2,947
Federal sources	78,366	0	78,366
Interest income	160	44	204
TOTAL NON-OPERATING REVENUES	81,473	44	81,517
Changes in net assets	10,648	4,078	14,726
Net assets beginning of year	51,619	4,019	55,638
Net assets end of year	\$ 62,267	8,097	70,364

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2007

	School Nutrition	Other Enterprise Funds	Total
Cash flows from operating activities:			
Cash received from sale of lunches and breakfasts	\$ 129,867	0	129,867
Cash received from miscellaneous operating activities	886	17,867	18,753
Cash payments to employees for services	(92,791)	(1,701)	(94,492)
Cash payments to suppliers for goods or services	(99,589)	(12,132)	(111,721)
Net cash provided by(used in) operating activities	(61,627)	4,034	(57,593)
Cash flows from non-capital financing activities:			
State grants received	2,947	0	2,947
Federal grants received	63,355	0	63,355
Net cash provided by non-capital financing activities	66,302	0	66,302
Cash flows from capital and related financing activities:			
Purchase of capital assets	(7,764)	0	(7,764)
Cash flows from investing activities:			
Interest on investments	160	44	204
Net increase(decrease) in cash and cash equivalents	(2,929)	4,078	1,149
Cash and cash equivalents at beginning of year	16,509	4,019	20,528
Cash and cash equivalents at end of year	\$ 13,580	8,097	21,677
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:			
Operating income(loss)	\$ (70,825)	4,034	(66,791)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:			
Commodities consumed	15,011	0	15,011
Depreciation	4,653	0	4,653
Increase in inventories	(3,021)	0	(3,021)
Increase in accounts receivable	(7,355)	0	(7,355)
Decrease in deferred revenue	(90)	0	(90)
Net cash provided by(used in) operating activities	\$ (61,627)	4,034	(57,593)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:			
Current assets:			
Cash and pooled investments	\$ 13,580	8,097	21,677

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2007, the District received
Federal commodities valued at \$15,011.

SEE NOTES TO FINANCIAL STATEMENTS.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

(1) **Summary of Significant Accounting Policies**

The North Tama County Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the district either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Traer, Buckingham, Dinsdale and Clutier, Iowa, and the predominate agricultural territory in Tama county. The district is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, North Tama County Community School District has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The North Tama County Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Tama County Assessors' Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Special Revenue - Physical Plant and Equipment Levy Fund is utilized to account for major equipment purchases and capital improvements.

The District reports the following major proprietary fund:

The District's proprietary funds are the Enterprise, School Nutrition Fund. The School Nutrition Fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2006.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded

as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 1,000
Buildings	1,000
Land improvements	1,000
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	1,000

Property, machinery and equipment are depreciated using the straight line method of depreciation over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-20 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The

lunch account balances are reflected on the Statement of Net Assets in the Proprietary, School Nutrition Fund.

Long-term Liabilities - In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2007 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2007.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2007 is as follows:

	Balance			Balance
	Beginning			End
	of Year	Increases	Decreases	of Year
Business-type activities:				
Machinery and equipment	\$ 68,304	7,764	0	76,068
Less accumulated depreciation	40,186	4,653	0	44,839
Business-type activities capital assets, net	\$ 28,118	3,111	0	31,229

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 116,414	0	0	116,414
Total capital assets not being depreciated	116,414	0	0	116,414
Capital assets being depreciated:				
Buildings	2,615,932	83,552	0	2,699,484
Improvements other than buildings	372,110	3,050	0	375,160
Machinery and equipment	1,214,009	20,539	50,016	1,184,532
Total capital assets being depreciated	4,202,051	107,141	50,016	4,259,176
Less accumulated depreciation for:				
Buildings	1,526,246	38,611	0	1,564,857
Improvements other than buildings	166,210	13,023	0	179,233
Machinery and equipment	934,292	101,026	50,016	985,302
Total accumulated depreciation	2,626,748	152,660	50,016	2,729,392
Total capital assets being depreciated, net	1,575,303	(45,519)	0	1,529,784
Governmental activities capital assets, net	\$ 1,691,717	(45,519)	0	1,646,198

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 27,954
Special	429
Other	3,535
Support services:	
Student services	220
Instructional support services	14,983
Administration	2,749
Operation and maintenance plant assets	422
Transportation	50,734
	101,026
Unallocated depreciation	51,634
Total governmental activities depreciation expense	\$ 152,660
Business-type activities:	
Food services	\$ 4,653
Total business-type activities depreciation expense	\$ 4,653

(4) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2007 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 3,890	0	3,890	0	0

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed twenty years of service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to a percentage of the employee's base salary using the current year regular salary schedule, less any other additional pay and subject to a maximum per individual. Early retirement benefits paid during the year ended June 30, 2007, totaled \$3,890.

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2007, 2006 and 2005. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$142,070, \$134,343, \$126,861, respectively, equal to the required contributions for each year.

(6) Risk Management

North Tama County Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(7) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$177,099 for the year ended June 30, 2007 and is recorded in the General Fund

by making a memorandum adjusting entry to the cash basis financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 2,791,146	156,269	2,947,415	2,909,044	2,909,044	38,371
Intermediate sources	29,821	0	29,821	20,000	20,000	9,821
State sources	2,320,017	2,947	2,322,964	2,330,446	2,330,446	(7,482)
Federal sources	147,456	78,366	225,822	240,000	240,000	(14,178)
Total revenues:	5,288,440	237,582	5,526,022	5,499,490	5,499,490	26,532
Expenditures:						
Instruction	3,098,623	0	3,098,623	3,317,301	3,317,301	218,678
Support services	1,444,767	0	1,444,767	1,740,222	1,740,222	295,455
Non-instructional programs	0	222,856	222,856	339,904	339,904	117,048
Other expenditures	425,006	0	425,006	646,934	646,934	221,928
Total expenditures:	4,968,396	222,856	5,191,252	6,044,361	6,044,361	853,109
Excess(deficiency) of revenues over(under) expenditures	320,044	14,726	334,770	(544,871)	(544,871)	(879,641)
Balance beginning of year	664,268	55,638	719,906	696,331	696,331	23,575
Balance end of year	\$ 984,312	70,364	1,054,676	151,460	151,460	903,216

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2007

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2007

	Manage- ment Levy	Student Activity	Expendable Trust	Total Special Revenue
Assets				
Cash and pooled investments	\$ 42,205	61,049	175	103,429
Receivables:				
Property tax:				
Current year delinquent	456	0	0	456
Succeeding year	40,000	0	0	40,000
Total Assets	\$ 82,661	61,049	175	143,885
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 0	1,891	0	1,891
Deferred revenue:				
Succeeding year property tax	40,000	0	0	40,000
Total Liabilities	40,000	1,891	0	41,891
Fund balances:				
Unreserved	42,661	59,158	175	101,994
Total Liabilities and Fund Balances	\$ 82,661	61,049	175	143,885

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED JUNE 30, 2007

	Manage- ment Levy	Student Activity	Expendable Trust	Total Special Revenue
REVENUES:				
Local sources:				
Local tax	\$ 29,975	0	0	29,975
Other	360	197,371	3	197,734
State sources	26	0	0	26
TOTAL REVENUES	30,361	197,371	3	227,735
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	2,400	0	605	3,005
Other instruction	0	195,231	0	195,231
Support services:				
Administration services	4,317	0	0	4,317
Operation and maintenance of plant services	24,070	4,603	0	28,673
Student transportation	20,022	0	0	20,022
TOTAL EXPENDITURES	50,809	199,834	605	251,248
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(20,448)	(2,463)	(602)	(23,513)
FUND BALANCE BEGINNING OF YEAR	63,109	61,621	777	125,507
FUND BALANCE END OF YEAR	\$ 42,661	59,158	175	101,994

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2007

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Musical	\$ 272	521	212	581
Instrumental Activity	811	2,080	1,849	1,042
Music Boosters	3,465	15,761	15,913	3,313
Music Boosters Investment	0	3,089	0	3,089
Youth Basketball	931	0	(3)	934
Athletics	10,370	64,647	65,646	9,371
Baseball/Softball	3,743	15,488	18,891	340
Youth Baseball	1,069	1,690	1,346	1,413
Nationals	521	946	837	630
Uniforms	1,479	0	(4)	1,483
Booster Club	11,435	18,031	19,205	10,261
Cheerleaders	576	279	67	788
FCCLA	153	15,507	14,831	829
Ind Arts Club	69	0	0	69
National Honor Society	1,344	684	780	1,248
Spanish Club	2,005	137	107	2,035
Speech Club	664	562	440	786
Student Council	2,272	11,830	12,659	1,443
Memory Book	365	1,638	1,661	342
Yearbook	2,979	14,705	15,658	2,026
JH Student Council	902	2,489	2,450	941
Interest	82	445	489	38
North Tama Dance Squad	1,181	6,204	4,102	3,283
Elementary Drill Team	135	2,432	1,486	1,081
Swing Show	804	3,831	3,869	766
Redhawks Readers	1,353	0	(4)	1,357
Art Club	2,159	3,791	3,706	2,244
FFA	446	3,281	2,820	907
PTO	5,509	1,840	3,030	4,319
PEP Club	295	0	295	0
Resident Artist	84	0	0	84
Athletic Improvement	1,203	8	0	1,211
Class of 2006	123	3	126	0
Class of 2007	2,566	1,006	3,327	245
Class of 2008	0	4,446	4,043	403
Fund Balance SADD	256	0	0	256
Total	\$ 61,621	197,371	199,834	59,158

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF NET ASSETS
 OTHER ENTERPRISE FUNDS
 JUNE 30, 2007

	Book			
	Fair	NT & S	Other	Total
Assets				
Cash and pooled investments	\$ 189	1,532	6,376	8,097
Liabilities				
Total liabilities	0	0	0	0
Net assets				
Total net assets	\$ 189	1,532	6,376	8,097

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 OTHER ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2007

	Book			
	Fair	NT & S	Other	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 893	1,321	15,653	17,867
TOTAL OPERATING REVENUES	893	1,321	15,653	17,867
OPERATING EXPENSES:				
Instruction:				
Salaries	0	0	1,500	1,500
Benefits	0	0	201	201
Services	0	0	2,619	2,619
Supplies	1,908	1,094	6,511	9,513
TOTAL OPERATING EXPENSES	1,908	1,094	10,831	13,833
OPERATING GAIN (LOSS)	(1,015)	227	4,822	4,034
NON-OPERATING REVENUES:				
Interest income	3	4	37	44
TOTAL NON-OPERATING REVENUES	3	4	37	44
Change in net assets	(1,012)	231	4,859	4,078
Net assets beginning of year	1,201	1,301	1,517	4,019
Net assets end of year	\$ 189	1,532	6,376	8,097

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CASH FLOWS
 OTHER ENTERPRISE FUNDS
 YEAR ENDED JUNE 30, 2007

	Book Fair	NT & S	Other	Total
Cash flows from operating activities:				
Cash received from miscellaneous operating activities	\$ 893	1,321	15,653	17,867
Cash payments to employees for services	0	0	(1,701)	(1,701)
Cash payments to suppliers for goods or services	(1,908)	(1,094)	(9,130)	(12,132)
Net cash provided by(used in) operating activities	(1,015)	227	4,822	4,034
Cash flows from investing activities:				
Interest on investments	3	4	37	44
Net cash provided by investing activities	3	4	37	44
Net increase(decrease) in cash and cash equivalents	(1,012)	231	4,859	4,078
Cash and cash equivalents at beginning of year	1,201	1,301	1,517	4,019
Cash and cash equivalents at end of year	\$ 189	1,532	6,376	8,097
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (1,015)	227	4,822	4,034
Net cash provided by(used in) operating activities	\$ (1,015)	227	4,822	4,034
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 189	1,532	6,376	8,097

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	Years Ended June 30,			
	2007	2006	2005	2004
Revenues:				
Local sources:				
Local tax	\$ 2,132,698	2,051,963	1,930,361	1,853,955
Tuition	177,998	160,156	197,307	148,428
Other	480,450	349,277	372,176	285,966
Intermediate sources	29,821	44,889	0	0
State sources	2,320,017	2,092,833	1,923,128	1,733,213
Federal sources	147,456	108,421	138,940	103,148
Total	<u>\$ 5,288,440</u>	<u>4,807,539</u>	<u>4,561,912</u>	<u>4,124,710</u>
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,263,131	2,069,180	1,976,410	1,602,992
Special instruction	542,850	509,009	556,548	369,907
Other instruction	292,642	332,365	135,386	450,074
Support services:				
Student services	177,968	187,172	136,781	134,248
Instructional staff services	146,551	167,755	81,459	121,762
Administration services	545,955	548,462	570,538	569,093
Operation and maintenance				
of plant services	318,741	332,797	315,180	286,537
Transportation services	255,552	287,371	231,975	295,949
Central services	0	0	0	871
Other expenditures:				
Facilities acquisitions	247,907	304,021	80,103	10,000
Long-term debt:				
Principal	0	42,000	135,500	127,500
Interest	0	1,858	10,553	18,206
AEA flow-through	177,099	160,424	146,689	147,606
Total	<u>\$ 4,968,396</u>	<u>4,942,414</u>	<u>4,377,122</u>	<u>4,134,745</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
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(a professional corporation)
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Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of the
North Tama County Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of North Tama County Community School District as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated January 31, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered North Tama County Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of North Tama County Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of North Tama County Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects North Tama County Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of North Tama County Community School District's financial statements that is more than inconsequential will not be prevented or detected by North Tama County Community School District's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by North Tama County Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Tama County Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

North Tama County Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit North Tama County Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of North Tama County Community School District and other parties to whom North Tama County Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of North Tama County Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


NOLTE, CORNMAN & JOHNSON, P.C.

January 31, 2008

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported

SIGNIFICANT DEFICIENCIES:

I-A-07 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-07 Activity Admissions - The Activity gate admissions and change box were not reconciled with pre-numbered tickets.

Recommendation - The District should establish reconciliation procedures for activity admissions. The reconciliation should include the issuance of pre-numbered tickets and the reconciling of the change box and admissions to the number of tickets issued.

Response - Our facility does not lend itself to such a procedure. However, we will review our present procedures and consider the recommended reconciliation procedures.

Conclusion - Response accepted.

NORTH TAMA COUNTY COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2007

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-07 Certified Budget - District disbursements for the year ended June 30, 2007 did not exceed the amount budgeted.
- II-B-07 Questionable Disbursements - We noted no disbursements that may not meet the requirements for public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-07 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-07 Business Transactions - Business transactions between the District and District officials or employees are noted as follows:

Name, Title and Business Connection	Transaction Description	Amount
Gretchen Pargen, Board Member Part owner of Auto Repair Service	Service	\$898
Judy Robb, Board Member	Substitute Teacher	\$1,840

In accordance with Chapter 279.7A of the Code of Iowa, the above transactions do not appear to represent a conflict of interest.

- II-E-07 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-07 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-07 Certified Enrollment - We noted that the number of basic resident student reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form for October 2006 was understated. The District's certified enrollment count on line 2 was understated by 1 student, which resulted in understating the total actual enrollment at line 7 by 1 student.
- Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.
- Response - We will contact the Iowa Department of Education and the Department of Management .
- Conclusion - Response accepted.
- II-H-07 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-07 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely, and we noted no significant deficiencies in the amounts reported.